July 31, 2018

Consolidated Financial Results for the Three Months Ended June 30, 2018【Japanese GAAP】

Summary of Quick Financial Announcement of Consolidated Financial Information For the First Quarter Ended June 30, 2018.

Company name：AUTOBACS SEVEN CO., LTD.
Code number：9832
(URL https://www.autobacs.co.jp/)
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Stock exchange listing：Tokyo
Submission of Quarterly Business Report：August 7, 2018
Start of cash dividend payments：-
Supplementary quarterly materials prepared：Yes
Quarterly results information meeting held：None

1. Results for the First quarter ended June 30, 2018 (From April 1, 2018 to June 30, 2018)

(Note: Amounts less than 1 million Yen have been rounded down. A figure in ( ) indicates a loss or a negative figure.)

(1) Results of operations:

(Unit: Millions of Yen except for per share information, and % information which indicates increase or decrease( ).)

	Net sales		Operating income		Ordinary income	
First quarter ended June 30, 2018	**49,070**	% **(2.2)**	**285**	% **(47.3)**	**593**	% **(6.6)**
First quarter ended June 30, 2017	50,169	5.2	542	62.5	636	17.9

Note: Comprehensive income： **388 million yen for the First quarter ended June 30, 2018：23.1%**
315 million yen for the First quarter ended June 30, 2017：- %

	Profit attributable to owners of parent		Basic net income per share (Yen)	Basic net income per share - diluted (Yen)
First quarter ended June 30, 2018	**359**	% **19.7**	**4.35**	**-**
First quarter ended June 30, 2017	300	42.7	3.64	-

(2) Financial position:

(Unit: Millions of Yen except for per share information)

	Total assets	Total net assets	Equity ratio	Net assets per share (Yen)
First quarter ended June 30, 2018	**183,055**	**125,253**	% **68.2**	**1,512.44**
Fiscal year ended March 31, 2018	187,354	127,352	67.7	1,537.59

(Reference) Equity : **First quarter ended June 30, 2018 : 124,791 million Yen**

Fiscal year ended March 31, 2018 : 126,866 million Yen

2. Dividends

Dividends per share (Yen)

	First Quarter	Second Quarter	Third Quarter	Year -end	Annual
Fiscal year ended March 31, 2018	-	30.00	-	30.00	60.00
Fiscal year ended March 31, 2019	-	-	-	-	-
Fiscal year ended March 31, 2019 (forecast)	-	**30.00**	-	**30.00**	**60.00**

Note : Revisions to dividend forecasts published most recently : None

3. Forecast for the fiscal year ending March 2019 (from April 1, 2018 to March 31, 2019)

(Unit: Millions of Yen, percentage figures denote year-on-year change)

	Net sales		Operating income		Ordinary income	
		%		%		%
Annual	215,000	1.3	9,000	15.5	10,000	21.6

	Profit attributable to owners of parent		Basic net income per share(Yen)
		%	
Annual	6,800	25.8	82.41

Note : Revisions to financial forecasts published most recently : None

4. Other

(1) Significant changes in scope of consolidation : None

(2) Adoption of special accounting policies for quarterly financial statements : None

(3) Changes in accounting policies, accounting estimation change and restatement
1. Changes due to changes in accounting standard : None
2. Changes due to changes in accounting standard except (3)-1. : None
3. Changes due to accounting estimation change : None
4. Restatement : None

(4) Shares outstanding (common stock)
1. Number of shares outstanding (including treasury stock)
First quarter ended June 30, 2018 : 84,050,105 shares
Fiscal year ended March 31, 2018 : 84,050,105 shares

2. Number of treasury stock at the end of period
First quarter ended June 30, 2018 : 1,540,032shares
Fiscal year ended March 31, 2018 : 1,540,020 shares

3. Average shares outstanding over quarter
First quarter ended June 30, 2018 : 82,510,026 shares
First quarter ended June 30, 2017 : 82,511,962 shares

※These financial results are not subject to quarterly review procedures by certified public accountants or auditing firms.

※Statement regarding the proper use of financial forecasts and other special remarks
(Statement regarding the proper use of financial forecasts)
These forecast performance figures are based on the information currently available to the Company's management and certain assumptions judged rational. Accordingly, these might be cases in which actual results materially differ from forecasts of this report.

5.Qualitative Information concerning Consolidated Business Results for the Three Months Ended June 30, 2018

Since the Company has decided to change the management of its business resources allocation and business performance evaluation into five businesses starting from the fiscal year ending March 31, 2019, it has divided the reportable segments into the "Domestic AUTOBACS Business," the "Overseas Business" and the "Car Dealer, BtoB and Internet Business," considering the characteristics and size of each business. In addition, the Company has added the item that was reported as "Others" separately from the reportable segments in the previous consolidated fiscal year as a new item called "Other Business," considering the significance of its influence on the overall assets of the Company.
In addition, because the Company has decided to expand its sales activities, the profit and cost in the credit business, etc., which were indicated as non-operating income and selling, general and administrative expenses in the previous consolidated fiscal year will be included in and indicated as net sales and cost of sales, and also be included in the business category previously indicated as Others and added to reportable segments as a new item called Other Business.
The numbers and year-on-year rates described in the following text are based on the above-mentioned rules after the change.

Explanation of business results

Looking at the trends of the domestic automotive-related industry during the first three months of the consolidated fiscal year under review, volumes of new vehicle sales and used car registrations in Japan have fallen below the results in the previous year and demand for automotive-related goods was also sluggish, and thus its business environment was worse than the previous quarter.

Under these circumstances, the Group is focusing on measures to enhance earnings growth and asset efficiency based on the Group vision of "Turnaround of domestic AUTOBACS business" and "Development of future growth drivers" in the 2017 Medium-Term Business Plan, which ends in the quarter ending March 31, 2020.

The Group's sales during the first three months of the consolidated fiscal year under review decreased by 2.2% year on year, to 49,070 million yen, gross profit declined by 5.2% year on year, to 14,686 million yen, and selling, general, and administrative expenses decreased by 3.7% year on year, to 14,400 million yen, resulting in operating income of 285 million yen, a decrease of 47.3% from a year earlier. Ordinary income decreased by 6.6% year on year, to 593 million yen. As a result, profit attributable to owners of parent increased by 19.7% year on year, to 359 million yen.

Results by business segment are as shown below.

[Domestic AUTOBACS Business]

For the first three months of the consolidated fiscal year under review, total sales for domestic businesses in the AUTOBACS chain (including franchise outlets) decreased by 2.7% year on year on a same-store basis, and by 2.5% year on year on an overall-store basis.

At domestic AUTOBACS chain stores, although the Company undertook the expansion of the tire product lines such as private brand and low-priced tires, the broadcasting of its TV commercials and sales promotion measures, sales of tires slackened because demand for the replacement of tires with summer tires increased earlier than the previous year on a nationwide basis. Regarding car electronics, because of the stable sales of car navigation systems, mainly new products, the growing public interest in driving safety since October 2017 and the expanded product lines of dashcams in every store across the country, sales grew steadily on both a unit price and volume basis. Moreover, the Company expanded the product lines of its private brand AQ. (Autobacs Quality.) and the brands that offer car-related lifestyles, JKM and GORDON MILLER, resulting in the improved attractiveness of the merchandise.

In March, the Company opened the first JACK & MARIE store, "JACK & MARIE - Bay Quarter Yokohama", which is Japan's first shop for a motorized lifestyle, in a commercial facility in Yokohama, and participated in exhibition events with the aim of increasing recognition of the brand.

Since the previous period, the Company has been continuously analyzing the status of customer service in stores, improving operations such as personnel placement on the sales floor and time management, and proceeding with hardware renovations, including the sales floors and service bays.

In the statutory safety inspection and maintenance service, the Company offers "Three-star Compensation," a service provided to customers who undergo its statutory safety inspection services, with the aim of differentiating itself from the other companies. The Company also implemented operational innovations in the service bays such as the promotion of reservations for the next statutory safety inspection and 15-minute acceptance inspections. However, partially because of the decreased number of vehicles that are required to undergo statutory safety inspections during the period, the number of vehicles that underwent statutory safety inspection and maintenance services decreased by 9.4% year on year, to approximately 140,000 units.

In the automobile purchase and sales, as a result of the review of the terms and conditions of the CARS franchise chain contract at the end of the previous year to enhance used car purchases and reduce costs at CARS franchise stores, the number of CARS franchise stores decreased. In addition, car buying dealers, which were reported in a different segment last year, were transferred into this segment. Thanks to sales expansion activities such as the broadcasting of TV commercials and the increase in the number of car buying dealer shops, the total sales volume in the domestic AUTOBACS business increased by 1.7% year on year, to approximately 6,800 units.

In terms of the number of store openings and closures, the total number of stores declined by five stores, from 603 as of the end of March 2018 to 598. The number of CARS franchise stores at the end of June was 424, the same as at the end of the previous fiscal year.

In addition to these results, the businesses of the consolidated subsidiaries operating AUTOBACS chain stores were transferred to franchise outlets during the fiscal year ended March 31, 2018, the Company's selling prices to each store, which had been reduced in the previous quarter, were returned to normal prices, and the expenses related to its logistics system decreased. Consequently, sales in the domestic AUTOBACS business during the first three months of the consolidated fiscal year under review decreased by 4.3% year on year, to 40,797 million yen, and segment profit increased by 1.9% year on year, to 2,331 million yen.

[Overseas Business]

Sales for the Overseas Business increased by 20.3% year on year, to 2,558 million yen, and the segment loss was 212 million yen (segment loss in the previous year was 151 million yen). The retail and service business in Thailand enjoyed a year-on-year increase in sales thanks to the active promotion of small outlet openings in the PTG Group's gas station malls. In France, the number of stores to be consolidated increased by two stores because franchise outlets became under subsidiary's operation. Although sales increased year on year, the operating loss increased due to the floods surround Paris. The profit in the wholesale business in China decreased because of increased expenses for business expansion and the lowered gross margin of the merchandise for the Japanese AUTOBACS chain. Moreover, sales of oil for Russia and wholesale to local DIY stores in the ASEAN region increased. In addition, the number of customers of the maintenance services for vehicles used for car sharing in Singapore increased, resulting in increased sales.

As a result of four store openings and one store closure, the total number of stores outside Japan stood at 44.

[Car Dealer, BtoB and Online Business]

Sales for the Car Dealer, BtoB and Online Business increased by 7.1% year on year, to 7,537 million yen, and the segment loss was 467 million yen (segment loss in the last fiscal year was 161 million yen). In the imported car dealer business, the Company enhanced the sales system at each dealer and focused on sales activities. Moreover, sales and profit increased thanks to two imported car dealers opening in Nerima-ku, Tokyo in November. In the BtoB business, the Company is developing new merchandise and expanding sales channels, and sales increased. In addition, although income from goods related to car washing and accessories improved, operating income decreased year on year due to the continual influence of the rise in oil prices and distribution costs. In addition, the businesses of Cores International, Inc. and Palstar K.K., which operate wholesale businesses, were transferred and consolidated into a new company, which is planned to be established in August 2018, promoting preparations for the further expansion of the BtoB business. In the online business, the Company is working on the reconstruction of product lineups, channels and promotions. In the first quarter under review, external malls were concentrated from three channels into one channel for streamlining.

[Other Business]

Sales in the other business decreased by 8.5% year on year, to 548 million yen, and the segment profit declined by 24.0% year on year, to 107 million yen. This was mainly because of a decrease in insurance-related commission income.

6. Consolidated Financial Statements

(1)Consolidated Balance Sheets

(Unit: Millions of Yen)

	March 31, 2018 Amount	**June 30, 2018 Amount**
Assets		
Current assets		
Cash and deposits	39,069	**40,805**
Notes and accounts receivable - trade	23,600	**26,056**
Merchandise	16,419	**17,547**
Accounts receivable - other	21,972	**14,232**
Income taxes receivable	32	**175**
Other	10,693	**10,737**
Allowance for doubtful accounts	(92)	**(90)**
Total current assets	111,695	**109,464**
Non-current assets		
Property, plant and equipment		
Land	22,627	**21,668**
Other, net	18,599	**18,072**
Total property, plant and equipment	41,226	**39,741**
Intangible assets		
Goodwill	1,170	**1,125**
Other	4,879	**4,701**
Total intangible assets	6,050	**5,826**
Investments and other assets		
Guarantee deposits	14,181	**14,109**
Other	14,254	**13,950**
Allowance for doubtful accounts	(54)	**(37)**
Total investments and other assets	28,381	**28,023**
Total non-current assets	75,658	**73,590**
Total assets	187,354	**183,055**
Liabilities		
Current liabilities		
Accounts payable - trade	20,710	**22,295**
Short-term loans payable	3,252	**4,460**
Accounts payable - other	12,626	**10,589**
Income taxes payable	3,014	**287**
Provision for point card certificates	237	**178**
Other	6,582	**6,674**
Total current liabilities	46,425	**44,486**
Non-current liabilities		
Long-term loans payable	2,190	**2,017**
Provision	76	**66**
Net defined benefit liability	1,051	**1,064**
Asset retirement obligations	2,110	**2,101**
Other	8,147	**8,066**
Total non-current liabilities	13,575	**13,315**
Total liabilities	60,001	**57,802**

(Millions of yen)

	March 31, 2018 Amount	June 30, 2018 Amount
Net assets		
Shareholders' equity		
Capital stock	33,998	**33,998**
Capital surplus	34,298	**34,298**
Retained earnings	59,639	**57,522**
Treasury shares	(2,773)	**(2,773)**
Total shareholders' equity	125,163	**123,046**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,924	**2,003**
Foreign currency translation adjustment	470	**415**
Remeasurements of defined benefit plans	(692)	**(674)**
Total accumulated other comprehensive income	1,703	**1,744**
Non-controlling interests	486	**462**
Total net assets	127,352	**125,253**
Total liabilities and net assets	187,354	**183,055**

(2) Consolidated Statements of Income and Comprehensive Income
(Unit: Millions of Yen)

	First quarter ended June 30, 2017	**First quarter ended June 30, 2018**
Net sales	50,169	**49,070**
Cost of sales	34,672	**34,383**
Gross profit	15,497	**14,686**
Selling, general and administrative expenses	14,954	**14,400**
Operating profit	542	**285**
Non-operating income		
Interest income	19	**15**
Dividend income	34	**39**
Share of profit of entities accounted for using equity method	64	**111**
Lease revenue-system equipment	178	**178**
Other	406	**383**
Total non-operating income	703	**728**
Non-operating expenses		
Interest expenses	10	**9**
Lease cost-system equipment	221	**202**
Loss on retirement of non-current assets	205	**35**
Other	172	**171**
Total non-operating expenses	610	**420**
Ordinary profit	636	**593**
Profit before income taxes	636	**593**
Income taxes - current	255	**119**
Income taxes - deferred	75	**124**
Total income taxes	330	**244**
Profit	305	**349**
Profit attributable to		
Profit attributable to owners of parent	300	**359**
Profit (loss) attributable to non-controlling interests	4	**(9)**
Other comprehensive income		
Valuation difference on available-for-sale securities	(118)	**79**
Foreign currency translation adjustment	122	**(54)**
Remeasurements of defined benefit plans, net of tax	—	**17**
Share of other comprehensive income of entities accounted for using equity method	6	**(4)**
Total other comprehensive income	10	**39**
Comprehensive income	315	**388**
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	309	**401**
Comprehensive income attributable to non-controlling interests	6	**(12)**

(Additional information)

(Application of “the Partial Change in the Accounting Standards Regarding Tax Effect Accounting”, etc.)

The Company has applied “the Partial Change in the Accounting Standards Regarding Tax Effect Accounting” (Corporate Accounting Standards, No. 28, Feb. 16, 2018), etc. since the beginning of the first three months of the consolidated fiscal year under review and displayed “Deferred tax assets” in the “Investments and other assets” category and “Deferred tax liabilities” in the “Non-current liabilities” category.

(Change of indication method)

Because means of financial payment have recently diversified, and the Company has shifted its own points system to a common points system in the domestic AUTOBACS business, it has decided to expand sales activities in the credit card business, etc., which were included in “Others” under “Non-operating income” and “Selling, general and administrative expenses” during the previous first three months of the consolidated fiscal year. This effort increased the importance of the credit card business and the Company consequently decided to include it in a reportable segment. As a result, the profit and cost in the credit card business, etc. were changed to be included in and indicated as “Net sales” and “Cost of sales” starting from the first three months of the consolidated fiscal year under review. To reflect this change in the indication method, the Company is currently reallocating the quarterly consolidated financial statements during the previous first three months of the consolidated fiscal year.

As a result, 187 million yen and 22 million yen, which were indicated in “Others” under “Non-operating income” and “Selling, general and administrative expenses” in the Consolidated Statements of Income and Comprehensive Income during the previous first three months of the consolidated fiscal year, were allocated to 187 million yen in “Net sales” and 22 million yen in “Cost of sales,” respectively.

7. Segment Information

I First quarter ended June 30, 2017

1. Information about sales and profit (loss)

(Millions of yen)

	Reportable segments					Reconciling items (Note 1)	Per quarterly consolidated financial statements (Note 2)
	Domestic AUTOBACS business	Overseas business	Car Dealer, BtoB and Internet business	Other business	Total Reportable segments		
Sales							
Revenues from external customers	42,305	2,075	5,350	438	50,169	-	50,169
Transactions with other segments	318	52	1,686	161	2,218	(2,218)	-
Net sales	42,623	2,127	7,036	600	52,388	(2,218)	50,169
Operating profit (loss)	2,287	(151)	(161)	141	2,116	(1,573)	542

Notes:

1. The amount (1,573) million yen of "Reconciling items" of Operating profit (loss) is the corporate administrative expense which is not allocable to each reportable segment.
2. Operating profit (loss) corresponds to Operating profit in the Consolidated Statements of Income and Comprehensive Income.

2. Impairment losses of assets, goodwill, and others, by reporting segment

Not applicable.

II First quarter ended June 30, 2018

1. Information about sales and profit (loss)

(Millions of yen)

	Reportable segments					Reconciling items (Note 1)	Per quarterly consolidated financial statements (Note 2)
	Domestic AUTOBACS business	Overseas business	Car Dealer, BtoB and Internet business	Other business	Total Reportable segments		
Sales							
Revenues from external customers	40,438	2,495	5,723	413	49,070	-	49,070
Transactions with other segments	358	63	1,814	135	2,372	(2,372)	-
Net sales	40,797	2,558	7,537	548	51,442	(2,372)	49,070
Operating profit (loss)	2,331	(212)	(467)	107	1,759	(1,473)	285

Notes:

1. The amount (1,473) million yen of "Reconciling items" of Operating profit (loss) is the corporate administrative expense which is not allocable to each reportable segment.
2. Operating profit (loss) corresponds to Operating profit in the Consolidated Statements of Income and Comprehensive Income.

2. Matters concerning change in reportable segments

The business segment that was indicated as “Others” in the past will be included in a reportable segment called “Other Business” starting from the first three months of the consolidated fiscal year under review because of a change in the corporate organization aiming at expanding sales activities in the credit card business, etc.

In addition, following a review of management units, the company has changed the business segments of the internet sales business, which was formerly included in “Domestic AUTOBACS business,” to “Used Car Buying, Car Dealer and BtoB Business,” and of the used car stores, formerly included in “Used Car Buying, Car Dealer and BtoB Business,” to “Domestic AUTOBACS Business” starting from the first three months of the consolidated fiscal year under review. Accompanying these segment changes, the name of the reportable segment “Used Car Buying, Car Dealer and BtoB Business” was changed to “Car Dealer, BtoB and Internet Business.”

Please note that the disclosed segment information during the previous first three months of the consolidated fiscal year were prepared based on the classification of the reportable segments after change.

3. Impairment losses of assets, goodwill, and others, by reporting segment

Not applicable.